

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-06 NEA-09 IO-10 ISO-00 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-01 H-01 INR-07 INT-05

L-02 LAB-04 NSAE-00 NSC-05 PA-01 RSC-01 AID-05

CIEP-01 SS-15 STR-01 TAR-01 TRSE-00 USIA-06 PRS-01

SP-02 FEAE-00 OMB-01 SAM-01 /112 W

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FM AMEMBASSY BONN

TO SECSTATE WASHDC 7094

INFO AMEMBASSY LONDON

AMEMBASSY DUBLIN

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY COPENHAGEN

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION GENEVA

C O N F I D E N T I A L BONN 00163

E.O. 11652: GDS

TAGS: ENRG, ETRD, EEC, IR, GW

SUBJECT: EC/IRAN PREFERENCE PROPOSAL

REF: BONN 19801; STATE 282186

1. IN OUR CONVERSATIONS WITH CONTACTS IN BOTH THE
FOREIGN AND ECONOMIC MINISTRIES OVER THE PAST SEVERAL
WEEKS, WE HAVE DETECTED A GROWING SYMPATHY WITHIN THE
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GERMAN BUREAUCRACY TOWARD THE IDEA OF AN EC

PREFERENTIAL ARRANGEMENT WITH IRAN. IN FACT ONE SOURCE EXPRESSED THE VIEW THAT IT WAS ONLY A MATTER OF TIME BEFORE SUCH AN ARRANGEMENT WAS AGREED TO. THIS SYMPATHY IS PRIMARILY A REFLECTION OF THE IMPORTANCE OF IRAN IN GERMANY'S POLITICAL RELATIONS WITH THE MIDDLE EAST AS WELL AS ITS SIGNIFICANCE AS AN ENERGY SUPPLIER. IT ALSO REFLECTS AN ACKNOWLEDGMENT OF THE VALIDITY OF THE IRANIANS' ARGUMENT THAT THEY SHOULD RECEIVE NO LESS FAVORABLE TREATMENT THAN ALGERIA.

2. AS YET THIS SENTIMENT HAS NOT REFLECTED ITSELF IN ANY FUNDAMENTAL CHANGE IN THE GERMAN POSITION OF OPPOSITION TO EC PREFERENCES FOR IRAN. IT DOES REPRESENT AN EROSION OF THE GERMAN OPPOSITION ON SUBSTANTIVE GROUNDS, HOWEVER, AND IT MEANS THAT GERMAN RESISTANCE TO PROPOSALS FOR SUCH A PREFERENTIAL ARRANGEMENT WILL BE BASED ALMOST ENTIRELY ON THE WELL-KNOWN US OPPOSITION TO EXPANSION OF EC PREFERENCES RATHER THAN ON THE FRG'S PERCEPTION OF THE MERITS OF THE PROPOSALS. COUNTERPOISED AGAINST THE US POSITION ARE THE NEW FRENCH POSITION AND THE PROBABLE INCREASE IN IRANIAN PRESSURE.

3. THE PROBLEM SURROUNDING THE GRANTING OF DUTY-FREE TREATMENT FOR THE PRODUCTS OF THE PROPOSED GERMAN-IRANIAN 25 MILLION TON PETROLEUM REFINERY PROVIDE AN ADDED IMPETUS FOR THE FRG TO TURN TO OTHER SOLUTIONS INCLUDING A GENERAL EC/IRAN PREFERENTIAL ARRANGEMENT. THE FRG IS BECOMING INCREASINGLY FRUSTRATED BY LACK OF RESPONSE IN THE EC TO ITS PROPOSALS AND BOTH THE IRANIANS (INCLUDING ECONOMIC AND FINANCE MINISTER ANSARY DURING HIS RECENT VISIT) AND THE GERMAN COMPANIES ARE PLACING HEAVY PRESSURE ON THE GOVERNMENT TO FIND A RAPID SOLUTION. IN SPITE OF THE OTHER DIFFICULTIES IN THE REFINERY NEGOTIATIONS, THE FRG STILL ATTACHES GREAT IMPORTANCE TO IT. ECONOMICS MINISTRY STATE SECRETARY ROHWEDDER ARGUED AT THE DECEMBER 17 EC ENERGY COUNCIL MEETING THAT THE OIL PRODUCING COUNTRIES WOULD USE THIS PROJECT AS A MEASURE OF THE EC COUNTRIES' WILLINGNESS TO COOPERATE AT THE START OF THE CONSUMER/

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PRODUCER DIALOGUE.

4. ALL OF THESE FACTORS COMBINE TO MAKE THE PROPOSAL OF AN EC PREFERENTIAL ARRANGEMENT FOR IRAN INCREASINGLY ATTRACTIVE TO THE FRG. WE WOULD THEREFORE NOT EXPECT THAT THE FRG WOULD BE IN THE FOREFRONT OF ANY OPPOSITION TO A FRENCH INITIATIVE WITHIN THE EC FOR SUCH AN ARRANGEMENT. THE GERMANS WOULD CERTAINLY NOT

WANT TO BE IN THE POSITION OF TAKING THE BLAME IN THE
IRANIANS' EYES FOR BLOCKING THE FRENCH INITIATIVE.

5. GIVEN THE EVOLUTION IN GERMAN THINKING ON
EC PREFERENCES FOR IRAN, THE US MAY WELL BE REQUIRED
TO EXERT INCREASING PRESSURE ON THE FRG JUST TO KEEP
ITS POLICY AT THE PRESENT POSITION. THE EMBASSY WILL
TAKE EVERY OPPORTUNITY TO IMPRESS UPON GERMAN OFFICIALS
AT ALL LEVELS THE SERIOUSNESS OF US OBJECTIONS TO AN
EXPANSION OF EC PREFERENCES IN GENERAL AND TO IRAN
IN PARTICULAR.
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